

**Consumer Driven Health Accounts**  
**Comparison of Key Features**  
**October 26, 2005**

	<b>Flexible Spending Account (FSA)</b>	<b>Medical Savings Account (MSA)</b>	<b>Health Reimbursement Arrangements (HRA)</b>	<b>Health Savings Accounts(HSA)</b>
<b>Establishment Of Account</b>	<ul style="list-style-type: none"> <li>• Employer-sponsored Benefit Program via Cafeteria Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Self-employed Individual</li> <li>• Small Employer (50 or fewer Employees)</li> </ul>	<ul style="list-style-type: none"> <li>• Employer-sponsored Benefit Program</li> </ul>	<ul style="list-style-type: none"> <li>• Eligible Individual</li> <li>• Employer</li> <li>• Integrate with Employer-sponsored cafeteria plan</li> </ul>
<b>High Deductible Health Plan (Hdhp) Required</b>	No	Yes	No	Yes
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Employee who meets Employer's Eligibility Criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Eligible Individual</li> <li>• Eligible Employee covered by a HDHP</li> </ul>	<ul style="list-style-type: none"> <li>• Employee who meets Employer's Eligibility Criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Eligible Individual covered by HDHP</li> <li>• Eligible Employee covered by HDHP</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>• Employee Salary Reduction Dollars</li> <li>• Employer</li> </ul>	<ul style="list-style-type: none"> <li>• By Individual OR</li> <li>• By Employer</li> </ul>	<ul style="list-style-type: none"> <li>• Strictly by Employer</li> </ul>	<ul style="list-style-type: none"> <li>• Individual</li> <li>• Employee salary reduction dollars</li> <li>• Employer</li> </ul>
<b>Account Limits</b>	No statutory required limit	<b>Individual</b> <ul style="list-style-type: none"> <li>• 65% of Deductible Amount</li> </ul> <b>Family</b> <ul style="list-style-type: none"> <li>• 75% of Deductible Amount</li> </ul>	No statutory required limit	<b>Individual</b> -- <i>Lesser of</i> <ul style="list-style-type: none"> <li>• Deductible Amount; or, \$2,600</li> </ul> <b>Family</b> -- <i>Lesser of</i> <ul style="list-style-type: none"> <li>• Deductible Amount ; or \$5,150</li> </ul>
<b>Annual Out Of Pocket Limits</b>	n/a	<ul style="list-style-type: none"> <li>• \$3,450 Individual</li> <li>• \$6,300 Family</li> </ul>	n/a	<ul style="list-style-type: none"> <li>• \$5,000 Individual</li> <li>• \$10,000 Family</li> </ul>
<b>Qualified Medical Expenses</b>	<ul style="list-style-type: none"> <li>• Qualified Medical Expenses as defined in IRC §213(d), including over-the-counter drugs</li> </ul> <i>Not permitted:</i> <ul style="list-style-type: none"> <li>• Health insurance premium, including LTC insurance premium</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified medical expenses as defined in IRC §213(d), including over-the-counter drugs</li> <li>• COBRA premium</li> <li>• LTC insurance premium</li> <li>• Health insurance premium, if receiving unemployment</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified medical expenses as defined in IRC §213(d), including over-the counter drugs</li> <li>• Health insurance premium, including LTC premium</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified medical expenses as defined in IRC §213(d), including over-the-counter drugs</li> <li>• Retiree health insurance premium other than Medicare supplement policies</li> <li>• COBRA premium</li> <li>• Long term care (LTC) insurance premium</li> <li>• Health insurance premium if receiving unemployment</li> </ul> <i>Not permitted:</i> <ul style="list-style-type: none"> <li>• Any other type of health insurance premium</li> </ul>

	<b>Flexible Spending Account (FSA)</b>	<b>Medical Savings Account (MSA)</b>	<b>Health Reimbursement Arrangements (HRA)</b>	<b>Health Savings Accounts(HSA)</b>
<b>Tax Treatment Of Contributions</b>	<ul style="list-style-type: none"> <li>Employee Contributions to Employee's own FSA are pre-tax</li> <li>Employer-Contributions to employee's FSA: <ul style="list-style-type: none"> <li>- Deductible by Employer</li> <li>- Excludable from Employee's gross income</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Individual's contributions to MSA are tax-deductible</li> <li>Employee Contributions to Employee's own MSA are tax-deductible</li> <li>Employer-Contributions to Employee's MSA <ul style="list-style-type: none"> <li>- Deductible by Employer</li> <li>- Excludable from Employee's gross income</li> </ul> </li> </ul>	Only Employer Contributions permitted: <ul style="list-style-type: none"> <li>Deductible by Employer</li> <li>Excludable from Employee's gross income</li> </ul>	<ul style="list-style-type: none"> <li>Individual's contributions to own HSA tax-deductible</li> <li>Employee-Contributions to Employee's own HSA are Tax-Deductible</li> <li>Employer-Contributions to Employee's HSA with salary reduction dollars: <ul style="list-style-type: none"> <li>- Deductible by Employer</li> <li>- Excludable from employee's gross income</li> </ul> </li> </ul>
<b>Taxation Of Interest Accumulation</b>	n/a	Tax-free	n/a	Tax-free
<b>Consequences Of Cashing-Out Account For Non-Qualified Medical Expenses</b>	<ul style="list-style-type: none"> <li>No cash-out option available</li> </ul>	<ul style="list-style-type: none"> <li>Distributions are taxed as income and subject to 15% penalty tax</li> <li>No penalty tax after age 65, but subject to income tax</li> </ul>	<ul style="list-style-type: none"> <li>No cash-out option available</li> </ul>	Distributions are taxed as income and subject to 10% penalty tax, except following: <ul style="list-style-type: none"> <li>Death</li> <li>Disability</li> <li>Attainment of Medicare eligibility age</li> </ul>
<b>Carry-Over Of Funds to Next Year</b>	No	Yes	Yes	Yes
<b>Portability</b>	<ul style="list-style-type: none"> <li>Account cannot be maintained if the employee is no longer working for the employer</li> </ul>	<ul style="list-style-type: none"> <li>Continued access to unused account balance if the employee is no longer working for the employer</li> </ul>	<ul style="list-style-type: none"> <li>At employer discretion</li> </ul>	<ul style="list-style-type: none"> <li>Continued access to unused account balance if the employee is no longer working for the employer</li> </ul>
<b>Death Of Account Holder</b>	<ul style="list-style-type: none"> <li>Eligible Dependents entitled to use remaining account monies for qualified medical expenses, in accordance with the plan document</li> </ul>	<ul style="list-style-type: none"> <li>Surviving spouse only (if designated beneficiary) entitled to use remaining account monies for qualified medical expenses</li> </ul>	<ul style="list-style-type: none"> <li>Eligible Dependents entitled to use remaining account monies for qualified medical expenses, in accordance with the plan document</li> </ul>	<ul style="list-style-type: none"> <li>Surviving spouse only (if designated beneficiary) entitled to use remaining account monies for qualified medical expenses</li> </ul>
<b>Subject To Cobra</b>	Yes	No	Yes	<ul style="list-style-type: none"> <li>No, if not Employer-based</li> <li>Unclear, if Employer-based</li> </ul>
<b>Effective Date</b>	1/1/79	1/1/97	6/26/02	1/1/04
<b>Initial Legislation</b>	Revenue Act of 1978	Health Insurance Portability and Accountability Act of 1996	U.S. Department of the Treasury Revenue Ruling 2002-41	Medicare Prescription Drug Improvement and Modernization Act of 2003
<b>Internal Revenue Code Relevance</b>	IRC Section 125	IRC Section 106(b)	IRC Sections 105-106	IRC Section 223

